International *growth*

Increases in customers and revenues expand platforms for growth and value creation

In the first quarter, SBC's broad international holdings continued to generate strong gains in customers and revenues, expanding their growth platforms for the future.

First-quarter highlights from SBC's directly held international investments, excluding the impacts of divestitures during the past year, include:

- 55.4 percent growth in total wireless subscribers to 34.9 million
- 4.4 percent growth in total landline access lines to 38.2 million
- 18.3 percent growth in total revenues to $10.7 billion

Equity income from SBC's international holdings declined primarily because of the sale of assets during the past year.

SBC International Highlights

(Dollars in millions) (Volumes in 000s)	1Q01	1Q00	Change
Equity income	$ 177	$ 199	-11.1%
Total access lines	38,239	36,611	4.4%
Total wireless customers	34,855	22,423	55.4%
Total revenues	$10,720	$ 9,065	18.3%
Proportionate access lines	6,644	6,595	0.7%
Proportionate wireless customers	4,401	2,917	50.9%
Proportionate revenues	$ 1,795	$ 1,464	22.6%

Amounts for 2000 have been restated to exclude investments that have been sold or are no longer accounted for under the equity method.

GROWTH INITIATIVES

During the first quarter, the companies in which SBC is an investor continued to generate solid growth, particularly in wireless and data services, and they took important steps to expand their growth potential. First-quarter highlights include:

- Telecom Americas, the Latin American joint venture among SBC, Mexico's América Móvil and Bell Canada International, acquired an equity interest in the São Paulo State cellular company Tess. Tess serves approximately 940,000 subscribers in the Brazilian State of São Paulo excluding the Metropolitan São Paulo region — an area with a population of 18.4 million.
- Belgacom's wireless operation reached more than 3.6 million subscribers at the end of March, up 385,000 during the past three months.
- TDC announced that it plans to accelerate the rollout of ADSL broadband service in Denmark so that more than 95 percent of Danish households will have the opportunity to sign up for ADSL within the next 17 months.

NORTH AMERICAN GROWTH PLATFORM

SBC's international alliances with and investments in Telmex, América Móvil, Bell Canada and Williams Communications Group form a high-potential North American growth platform. Telmex is Mexico's premier telecommunications company. América Móvil, Latin America's largest wireless communications provider, owns Telcel in Mexico and telecommunications investments in several countries throughout the region. Bell Canada is the largest communication provider in Canada. Williams has completed the United States' largest next-generation network connecting 125 U.S. cities.

Core *growth*

Vertical service features in service increased 17.2 percent; VGEs grew 17 percent

A solid core business continues to be the foundation for SBC's major growth strategies. In the first quarter, SBC's core operations — which include wireline voice, switched access, vertical services, directory and wholesale services — delivered essentially flat revenue growth, reflecting a weakened U.S. economy and declines in access revenues largely due to slightly reduced minutes of use and regulatory mandated price decreases. First-quarter core revenues exclude the impacts of shifts in directory publication dates as well as the sale of Ameritech's security monitoring business.

First-quarter highlights include:

- 17 percent growth in VGEs (voice grade equivalents) to 107 million. Traditional access lines increased slightly to 61.3 million.
- 17.2 percent growth in vertical service features, and more than 20 percent growth in total household penetration of packages.
- Directory revenues excluding the impacts of shifts in publication dates increased 2.7 percent.

SBC VGE Line Growth

(in thousands)	1Q01	1Q00	Change
Business VGEs	64,154	52,053	23.2%
Residence VGEs	42,279	38,722	9.2%
Other VGEs	625	730	-14.4%
Total VGEs	107,058	91,505	17.0%

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this *Investor Briefing* contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. A discussion of factors that may affect future results is contained in SBC's filings with the Securities and Exchange Commission. SBC disclaims any obligation to update or revise statements contained in this *Investor Briefing* based on new information or otherwise.

SBC Communications Inc.

Consolidated Statements of Income (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	Three Months Ended		
	3/31/01	3/31/00	% Change
Operating Revenues			
Landline local service	**$ 5,568**	$ 5,124	8.7%
Wireless subscriber	**54**	1,500	—
Network access	**2,603**	2,665	-2.3%
Long distance service	**793**	803	-1.2%
Directory advertising	**830**	882	-5.9%
Other	**1,342**	1,579	-15.0%
Total Operating Revenues	**11,190**	12,553	-10.9%
Operating Expenses			
Operations and support	**6,083**	7,214	-15.7%
EBITDA*	**5,107**	5,339	-4.3%
Depreciation and amortization	**2,448**	2,263	8.2%
Total Operating Expenses	**8,531**	9,477	-10.0%
Operating Income	**2,659**	3,076	-13.6%
Interest Expense	**459**	356	28.9%
Interest Income	**178**	24	—
Equity in Net Income of Affiliates	**401**	200	—
Other Income (Expense) - Net	**106**	17	—
Income Before Income Taxes	**2,885**	2,961	-2.6%
Income Taxes	**1,021**	1,139	-10.4%
Income Before Extraordinary Item	**1,864**	1,822	2.3%
Extraordinary Item, net of tax	**(10)**	—	—
Net Income	**$ 1,854**	$ 1,822	1.8%
Basic Earnings Per Share:			
Income Before Extraordinary Item	**$ 0.55**	$ 0.54	1.9%
Net Income	**$ 0.55**	$ 0.54	1.9%
Weighted Average Common Shares Outstanding (000,000)	**3,377**	3,396	-0.6%
Diluted Earnings Per Share:			
Income Before Extraordinary Item	**$ 0.55**	$ 0.53	3.8%
Net Income	**$ 0.54**	$ 0.53	1.9%
Weighted Average Common Shares Outstanding with Dilution (000,000)	**3,413**	3,432	-0.6%
Diluted Earnings Per Share Before Goodwill Charges:			
Income Before Extraordinary Item	**$ 0.57**	$ 0.57	—
Net Income	**$ 0.57**	$ 0.57	—

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

SBC Communications Inc.

Consolidated Statements of Income – Normalized (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	Three Months Ended		
	3/31/01	3/31/00	% Change
Operating Revenues			
Landline local service	**$ 5,568**	$ 5,124	8.7%
Wireless subscriber	**1,688**	1,500	12.5%
Network access	**2,592**	2,665	-2.7%
Long distance service	**793**	803	-1.2%
Directory advertising	**830**	882	-5.9%
Other	**1,673**	1,579	6.0%
Total Operating Revenues	**13,144**	12,553	4.7%
Operating Expenses			
Operations and support	**7,980**	7,262	9.9%
EBITDA*	**5,164**	5,291	-2.4%
Depreciation and amortization	**2,408**	2,192	9.9%
Total Operating Expenses	**10,388**	9,454	9.9%
Operating Income	**2,756**	3,099	-11.1%
Interest Expense	**483**	356	35.7%
Interest Income	**79**	24	—
Equity in Net Income of Affiliates	**188**	200	-6.0%
Other Income (Expense) – Net	**136**	17	—
Income Before Income Taxes	**2,676**	2,984	-10.3%
Income Taxes	**937**	1,074	-12.8%
Income Before Extraordinary Item	**1,739**	1,910	-9.0%
Extraordinary Item, net of tax	**(10)**	—	—
Net Income	**$ 1,729**	$ 1,910	-9.5%
Basic Earnings Per Share:			
Income Before Extraordinary Item	**$ 0.52**	$ 0.56	-7.1%
Net Income	**$ 0.51**	$ 0.56	-8.9%
Weighted Average Common Shares Outstanding (000,000)	**3,377**	3,396	-0.6%
Diluted Earnings Per Share:			
Income Before Extraordinary Item	**$ 0.51**	$ 0.56	-8.9%
Net Income	**$ 0.51**	$ 0.56	-8.9%
Weighted Average Common Shares Outstanding with Dilution (000,000)	**3,413**	3,432	-0.6%
Diluted Earnings Per Share Before Goodwill Charges:			
Income Before Extraordinary Item	**$ 0.54**	$ 0.58	-6.9%
Net Income	**$ 0.53**	$ 0.58	-8.6%

The first quarter of 2001 reflects 60% proportional consolidation of Cingular actual results plus the residual wireless properties we hold that have not yet been contributed to Cingular. First quarter 2000 results reflect the historical results of our wireless businesses that have been or will be contributed to Cingular.

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

Normalized 2001 net income excluded the following special items:
Pension settlement gains of ($330) related to management employees, primarily resulting from a voluntary retirement program net of costs associated with that program.
Combined charges of $205 related to impairment of our cable operations.

Normalized 2000 net income excluded the following special items:
Pension settlement gains of ($161) primarily related to employees who terminated employment during 1999.
A charge of $132 related to in-process research and development from the March 2000 acquisition of Sterling.
Costs of $117 associated with strategic initiatives and other adjustments resulting from the merger integration process with Ameritech.

SBC Communications Inc.

Consolidated Statements of Income – Normalized (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	Three Months Ended		
	3/31/01	3/31/00	% Change
Wireline			
Operating Revenues			
Local service	**$ 5,564**	$5,128	8.5%
Network access	**2,603**	2,688	-3.2%
Long distance service	**748**	763	-2.0%
Other	**1,192**	1,046	14.0%
Total Operating Revenues	**10,107**	9,625	5.0%
Operating Expenses			
Operations and support	**6,182**	5,408	14.3%
EBITDA*	**3,925**	4,217	-6.9%
Depreciation and amortization	**1,967**	1,787	10.1%
Total Operating Expenses	**8,149**	7,195	13.3%
Operating Income	**1,958**	2,430	-19.4%
Interest Expense	**333**	317	5.0%
Other Income (Expense) – Net	**15**	22	-31.8%
Income Before Income Taxes	**$ 1,640**	$2,135	-23.2%
Wireless**			
Operating Revenues			
Subscriber Revenues	**$ 1,688**	$1,500	12.5%
Other	**343**	326	5.2%
Total Operating Revenues	**2,031**	1,826	11.2%
Operating Expenses			
Operations and support	**1,455**	1,173	24.0%
EBITDA*	**576**	653	-11.8%
Depreciation and amortization	**287**	279	2.9%
Total Operating Expenses	**1,742**	1,452	20.0%
Operating Income	**289**	374	-22.7%
Interest Expense	**142**	39	—
Equity in Net Income of Affiliates	**7**	1	—
Other Income (Expense) – Net	**35**	(35)	—
Income Before Income Taxes	**$ 189**	$ 301	-37.2%

**The first quarter of 2001 reflects 60% proportional consolidation of Cingular actual results plus the residual wireless properties we hold that have not yet been contributed to Cingular. First quarter 2000 results reflect the historical results of our wireless businesses that have been or will be contributed to Cingular.

Directory			
Operating Revenues	**$ 824**	$ 871	-5.4%
Operating Expenses			
Operations and support	**440**	482	-8.7%
EBITDA*	**384**	389	-1.3%
Depreciation and amortization	**9**	8	12.5%
Total Operating Expenses	**449**	490	-8.4%
Operating Income	**375**	381	-1.6%
Interest Expense	**—**	3	—
Other Income (Expense) – Net	**5**	5	—
Income Before Income Taxes	**$ 380**	$ 383	-0.8%
International			
Operating Revenues	**$ 70**	$ 61	14.8%
Operating Expenses	**75**	89	-15.7%
Operating Income (Loss)	**(5)**	(28)	82.1%
Interest Expense	**1**	70	-98.6%
Equity in Net Income of Affiliates	**177**	199	-11.1%
Other Income (Expense) - Net	**107**	138	-22.5%
Income Before Income Taxes	**$ 278**	$ 239	16.3%

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

SBC Communications Inc.

Consolidated Balance Sheets (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	3/31/01	12/31/00
Assets		
Current Assets		
Cash and cash equivalents	$ 551	$ 643
Accounts receivable - net of allowances for uncollectibles of $1,008 and $1,032	9,315	10,144
Prepaid expenses	999	550
Deferred income taxes	612	671
Notes receivable from Cingular Wireless	9,138	9,568
Other current assets	1,099	1,640
Total current assets	21,714	23,216
Property, Plant and Equipment - at cost	121,365	119,753
Less: **Accumulated depreciation and amortization**	73,815	72,558
Property, Plant and Equipment - Net	47,550	47,195
Intangible Assets - Net of Accumulated Amortization of $557 and $746	5,022	5,475
Investments in Equity Affiliates	11,399	12,378
Other Assets	11,640	10,387
Total Assets	97,325	$ 98,651
Liabilities and Shareowners' Equity		
Current Liabilities		
Debt maturing within one year	$ 10,643	$ 10,470
Accounts payable and accrued liabilities	13,770	15,432
Accrued taxes	2,645	3,592
Dividends payable	867	863
Total current liabilities	27,925	30,357
Long-Term Debt	16,561	15,492
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	7,288	6,806
Postemployment benefit obligation	9,811	9,767
Unamortized investment tax credits	302	318
Other noncurrent liabilities	4,622	4,448
Total deferred credits and other noncurrent liabilities	22,023	21,339
Corporation-obligated mandatorily redeemable preferred securities of subsidiary trusts	500	1,000
Shareowners' Equity		
Common shares issued ($1 par value)	3,433	3,433
Capital in excess of par value	12,105	12,125
Retained earnings	19,333	18,341
Guaranteed obligations of employee stock ownership plans	(21)	(21)
Deferred Compensation - LESOP	(33)	(37)
Treasury shares (at cost)	(2,933)	(2,071)
Accumulated other comprehensive income	(1,568)	(1,307)
Total shareowners' equity	30,316	30,463
Total Liabilities and Shareowners' Equity	$ 97,325	$ 98,651

SBC Communications Inc.

Consolidated Statement of Cash Flows (Unaudited)

(Dollars in Millions, Increase [Decrease] in Cash and Cash Equivalents)

	Three months ended	
	3/31/01	3/31/00
Operating Activities		
Net income	**$ 1,854**	$ 1,822
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**2,448**	2,263
Undistributed earnings from investments in equity affiliates	**216**	(152)
Provision for uncollectible accounts	**230**	211
Amortization of investment tax credits	**(16)**	(18)
Deferred income tax expense	**649**	352
Gain on sale of investments	**(129)**	(191)
Extraordinary item, net of tax	**10**	—
Changes in operating assets and liabilities:		
Accounts receivable	**574**	408
Other current assets	**(386)**	(508)
Accounts payable and accrued liabilities	**(2,468)**	(581)
Other – net	**(1,032)**	(657)
Total adjustments	**96**	1,127
Net Cash Provided by Operating Activities	**1,950**	2,949
Investing Activities		
Construction and capital expenditures	**(2,807)**	(2,349)
Investments in affiliates	**1,158**	(103)
Proceeds from short-term investments	**510**	—
Dispositions	**244**	215
Acquisitions	**—**	(3,663)
Other	**1**	1
Net Cash Used in Investing Activities	**(894)**	(5,899)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**(84)**	4,867
Issuance of long-term debt	**2,238**	—
Repayment of long-term debt	**(980)**	(526)
Early extinguishment of corporation-obligated mandatorily redeemable preferred securities of subsidiary trusts	**(500)**	—
Purchase of treasury shares	**(1,065)**	(284)
Issuance of treasury shares	**90**	60
Dividends paid	**(859)**	(834)
Other	**12**	29
Net Cash Provided by (Used in) Financing Activities	**(1,148)**	3,312
Net increase (decrease) in cash and cash equivalents	**(92)**	362
Cash and cash equivalents beginning of year	**643**	495
Cash and Cash Equivalents End of Period	**$ 551**	$ 857

SBC Communications Inc.

Supplementary Financial and Operating Data (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	Three Months Ended		
	3/31/01	3/31/00	% Change
Capital Expenditures	**$ 2,807**	$ 2,349	19.5%
Dividends Declared Per Share[1]	**$0.25625**	$0.25375	1.0%
End of Period Common Shares Outstanding (000,000)	**3,369**	3,400	-0.9%
Pretax interest coverage[1,4]	**6.8**	9.4	-27.3%
Net cash flow to average total debt[2]	**11.8%**	11.2%	62 BP
Funds from operations interest coverage[3]	**9.7**	11.1	-13.0%
Debt Ratio	**46.9%**	46.7%	21 BP
Total Employees	**216,180**	208,380	3.7%
Access Lines Served (000)	**61,254**	61,154	0.2%
Residence	**36,568**	37,517	-2.5%
Business	**24,061**	22,907	5.0%
Other	**625**	730	-14.4%
Voice Grade Equivalents (000)[4]	**107,058**	91,505	17.0%
Residence	**42,279**	38,722	9.2%
Business	**64,154**	52,053	23.2%
Other	**625**	730	-14.4%
Resold Lines (000)	**1,597**	1,562	2.2%
Access Minutes of Use (000,000)	**69,388**	69,475	-0.1%
Cingular Wireless (Pro Forma)[5]			
Wireless Voice Customers (000)	**20,535**	17,294	18.7%
Net Adds (000)	**854**	695	22.9%
POPs (000,000)	**192**	192	—
SBC International[6]			
Total customers of SBC International's affiliates			
Access Lines (000)[5]	**38,239**	36,611	4.4%
Wireless (000):			
Subscribers	**34,855**	22,423	55.4%
Net Adds	**4,111**	3,842	7.0%
Total Revenues	**$ 10,720**	$ 9,065	18.3%
SBC's proportionate interest of SBC International's affiliates			
Access Lines (000)[5]	**6,644**	6,595	0.7%
Wireless (000):			
Subscribers	**4,401**	2,917	50.9%
Net Adds	**383**	350	9.4%
Total Revenues	**$ 1,795**	$ 1,464	22.6%

[1]Normalized pretax income and interest, excluding the 60 percent proportional consolidation of Cingular interest.
[2]Net cash flow equals funds from operations (cash flow from operations before working capital changes) less dividends paid.
[3]The sum of funds from operations and cash paid for interest on debt divided by interest incurred on debt.
[4]Prior year amounts restated to conform with current period reporting methodology.
[5]Amounts represent the 100% pro forma results of Cingular Wireless as if Cingular had existed for all periods presented.
[6]Amounts for 2001 and 2000 include our investments accounted for under the equity method in 2001. Amounts for 2000 have been restated to exclude investments no longer accounted for under the equity method.

SBC Investor Briefing

SBC *Investor Briefing* is published by the Investor Relations staff of SBC Communications Inc. Requests for further information may be directed to one of the Investor Relations managers by phone (210-351-3327) or fax (210-351-2071).

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Verizon Communications Posts Strong Results For Fourth Quarter and 2000

Feb 01, 2001

High-Growth Services Fuel Revenue Gains; Company Meets Financial Goals and Delivers Adjusted EPS of 77 Cents for Quarter, $2.91 for Year

YEAR-END HIGHLIGHTS

- 540,000 DSL (digital subscriber line) customers vs. 500,000 target
- 1.4 million New York long-distance customers vs. 1 million target
- 1.2 million net new U.S. wireless customers in quarter, 27.5 million total
- Data revenues grow 30 percent for the year
- 108.8 million access line equivalents (ALEs), with data circuits as measured in ALEs growing 60 percent
- Telecom package sales increase 71 percent year-over-year
- Proportionate international wireless customers grow 47 percent to 8.1 million

Verizon Communications announced today that fourth quarter 2000 reported earnings of 70 cents per diluted share, on net income of $1.9 billion, increased 11.1 percent from 63 cents, or $1.7 billion, in fourth quarter 1999. For 2000, reported earnings per share (EPS) were $4.31, or $11.8 billion, a 45.1 percent increase from $2.97, or $8.3 billion, in 1999. Reported results for all periods incorporate the net after-tax effect of gains, charges and other adjustments described below.

Adjusted EPS for fourth quarter 2000 of 77 cents, or $2.1 billion, increased 2.7 percent from 75 cents, or $2.1 billion, in fourth quarter 1999. For the year, adjusted EPS rose 2.5 percent to $2.91, or $8.0 billion, from $2.84, or $7.9 billion, in 1999, in line with the company's previously announced financial targets. Adjusted results for fourth quarter 1999 include results of the U.S. wireless properties of Vodafone Group Plc that became part of Verizon Wireless as of April 2000.

Continuing strong demand for high-growth services such as wireless and data, and solid volumes for voice services, drove a 6.7 percent increase in adjusted consolidated revenues from current operations, to $16.9 billion, from $15.8 billion in fourth quarter 1999. Full-year adjusted consolidated revenues from current operations grew 7.2 percent, to $63.4 billion from $59.2 billion in 1999. Adjusted revenues in all periods exclude revenues from certain significant operations sold in 1999 and 2000.

"Our solid operating performance in 2000 confirms both the validity of our business model and our ability to execute on it," said Verizon Chairman and Co-CEO Charles R. Lee.

"Last year, we completed two major transactions that gave us the scale as well as the financial strength and flexibility to deliver sustained, profitable growth in competitive markets. We integrated organizations without missing a beat and made full use of our new capabilities. We started a long-distance operation in New York that established a new model for simplicity and value and won more than 20 percent of the consumer market; we worked through numerous industry-wide challenges to begin meeting the tremendous demand for broadband services; we formed Verizon Wireless and became the U.S. wireless industry leader; and we did all this while maintaining both service quality and the level of growth in our telecom business. In 2001, we will build on these successes and further expand into the high-growth markets of the future," Lee said.

Verizon President and Co-CEO Ivan Seidenberg said, "As our results indicate, our investments in new services are starting to deliver significant revenue growth. We plan to further expand our market opportunities by working through the long-distance approval process this year in Massachusetts, Pennsylvania and New Jersey -- which together represent a $14 billion-a-year market in voice long-distance alone -- and we'll continue to make the investments that unlock the full potential of our networks to serve a data-centric world.

"Verizon is distinguished from its peers by its experience and its success with competition. Verizon and its predecessor companies accelerated top-line growth every year for the past few years while operating in the most competitive wireline and wireless markets in the country. We're well positioned in 2001 to further transform our growth profile and move into our target ranges of 8 - 10 percent revenue growth and $3.13 - $3.17 earnings per share," Seidenberg said.

EDITOR'S NOTE: Verizon will provide details of its plans for 2001 in a meeting with the investment community on Wednesday, Feb. 7 from 8 a.m. to 12:30 p.m. The meeting will be available to all investors through a Webcast at www.verizon.com/investor. The company will also Webcast its 9 a.m. conference call this morning on fourth-quarter and 2000 results at the same Web address.

Revenue, Expense, Capital

Nearly 40 percent of Verizon's adjusted consolidated revenues for both the fourth quarter and the year were generated from high-growth data, wireless, long-distance, DSL and international services. In the fourth quarter, revenues from these services totaled approximately $6.6 billion, and for the year totaled more than $23.6 billion.

Total adjusted U.S. Telecom revenues grew 3.3 percent for the quarter, to $10.9 billion, while Telecom provided competitors with nearly 3.5 million switched wholesale lines and 804,000 unbundled loops at the end of the year, double the number of lines and three times the number of loops in service at the end of 1999. For the year, Telecom revenues grew 3.9 percent to $43.3 billion. Regulatory rate reductions totaled $200 million in the fourth quarter and $850 million for the year (up sharply from $500 million in 1999).

Verizon's consolidated adjusted expenses for the quarter and the year increased 8.4 percent over the respective prior-year periods, due primarily to investment in high-growth wireless, data and long-distance services.

Adjusted fourth quarter expenses for U.S. Telecom rose 4.9 percent over fourth quarter 1999, with cash expenses up 3.6 percent. The company's largest business continued to exercise strong expense control: excluding costs associated with the DSL and long-distance businesses, Telecom's quarterly expenses increased only 2.5 percent, with cash expenses growing less than 1 percent. For the year, adjusted Telecom expenses rose 4.4 percent, with cash expenses increasing 3.6 percent; excluding DSL and long-distance costs, full-year expenses grew only 2.5 percent, and cash expenses grew 1.4 percent.

Verizon also achieved approximately $535 million in annual merger-related expense savings in 2000, making substantial progress toward its target of saving $2 billion a year in expenses by the end of 2003 through synergies resulting from the Bell Atlantic-GTE merger and the formation of Verizon Wireless. These savings were realized through various means, including the re-negotiation and termination of contracts, the integration of information systems, the integration of call centers and operator service centers, and the use of best practices to improve processes.

The company's capital expenditures for the year were $17.6 billion, with almost 50 percent invested in data and wireless infrastructure.

Highlights of Operations

DSL:

• Verizon added 190,000 DSL lines in the fourth quarter, 46 percent more than in the third quarter. The 540,000 lines in service at the end of the year represent an increase of more than 500 percent over the number in service at the end of 1999.

• Verizon Online, the company's Internet service provider, ended the year with approximately 847,000 subscribers, a 21 percent increase since the end of 1999.

• Verizon equipped approximately 500 central offices for DSL in 2000 and ended the year with approximately 1,850 equipped offices, 30 percent more than a year ago. An average of 60 percent of the access lines in those offices qualify for DSL, making the service available to 45 percent of Verizon's access lines and households, nearly 29 million and 14 million respectively.

• During the quarter, the company completed the acquisition of OnePoint Communications Corp. and launched Verizon Avenue, which provides bundled voice, data and video services to residents of multi-dwelling unit buildings in high-growth, densely populated urban and suburban markets around the country.

Data:

• Verizon ended 2000 with data circuits in service equivalent to 45.9 million voice-grade lines, 60 percent more than at the end of 1999. Combined with 62.9 million voice-grade lines, Verizon ended the year with 108.8 million total access line equivalents in service, 20 percent more than at the end of 1999 (comparisons adjusted for access line sales in 2000).

• Demand for digital high-capacity facilities and services remained strong through the fourth quarter. Verizon installed more than 2 million inter-office fiber links in 2000, ten times the number installed in 1999. The number of frame relay circuits, cell relay circuits and Primary Rate Interface ISDN (Integrated Services Digital Network) lines in service grew 47.9 percent, 80.5 percent, and 35 percent respectively since the end of 1999.

• Fourth-quarter revenues for data services, including high-capacity, high-speed local transport services, continued their strong growth over prior periods, with full-year revenues growing 30 percent over 1999.

Long Distance:

• Verizon's long-distance unit continued its strong growth and ended the year with 4.9 million customers nationwide, 44 percent more than a year ago, making Verizon the nation's fourth-largest provider of long-distance services. During the quarter, Verizon signed up an additional 240,000 new subscribers in New York, and the company ended the year with approximately 1.4 million New York subscribers, including some 78,000 businesses, that use Verizon Long Distance on 1.7 million lines. Verizon now serves more than 20 percent of New York's residence long-distance customers, with average revenue per consumer customer in line with industry averages, and more than 12 percent of the business market.

- Of the 240,000 customers added in the quarter, almost 95,000 came back to Verizon from other carriers for their intraLATA toll calling, increasing the total number of "win-back" customers to 326,800, almost 41 percent more than at the end of the third quarter. As of the end of the year, 97 percent of Verizon's New York long distance customers purchase local, intraLATA toll and long-distance usage from Verizon.

- In addition, the number of Verizon-wide customers purchasing vertical services such as Caller ID and Home Voice Mail in packages, often with basic service, grew 71 percent over fourth quarter 1999. Revenues from service packages totaled nearly $740 million for the year. On Jan. 8, 2001, Verizon introduced The Big Deal, a group of packages that in New York bundle long-distance service at 8 cents a minute with a variety of basic and value-added services.

- On Jan. 16, 2001,Verizon re-submitted its filing for federal approval to offer long-distance service in Massachusetts, where Verizon serves 4.7 million access lines and the long-distance market is a $2 billion-plus annual opportunity. The Federal Communications Commission's decision is due by mid-April. Verizon has also filed with the Pennsylvania Public Utility Commission to begin its 100-day review of the company's proposed long-distance application to the FCC. The PUC will use the 100-day period to review the evidence that Verizon has opened its network to competitors and determine whether to support the company's application to the FCC, which Verizon then plans to file.

Verizon Wireless:

- Verizon Wireless added 1.2 million net new customers during the fourth quarter, 5.9 percent more net additions than in fourth quarter 1999, with the total number of customers growing 15.6 percent year-over-year to 27.5 million. Penetration of covered POPs increased to 13.5 percent from 11.7 percent a year ago. The penetration gain in 2000 of 1.8 percentage points represents an increase from the 1.6 point gain in 1999.

- More than 99 percent of fourth-quarter net customer additions were contract customers, up from 62 percent in fourth quarter 1999. Driving the strong growth in contract customers were the company's national and regional Single Rate calling plans. Also contributing to this increase was New Every Two, the industry's first handset upgrade plan, aimed at increasing loyalty and keeping customers current with the latest technology.

- More than half of Verizon Wireless customers now subscribe to CDMA (Code Division Multiple Access) digital services, and generate more than 80 percent of the company's busy-hour usage, compared to 65 percent at mid-year. More than 750,000 customers subscribe to the company's data services, including Mobile Web Internet access, up more than 50 percent from 500,000 at the end of the third quarter.

- Wireless revenues for the quarter grew to $4.1 billion, up 16.7 percent from fourth quarter 1999, with average monthly service revenue per subscriber increasing 3 percent. For the year, revenues grew 19.3 percent to $14.2 billion.

- Quarterly operating income rose 35 percent to $405 million, with operating cash flow increasing 13.3 percent to $1.2 billion. For the year, operating income rose 25.5 percent, to $1.8 billion, and operating cash flow grew 14.9 percent to $4.7 billion. Operating cash flow margin was 32.4 percent for the quarter and 35.6 percent for the year.

- During the quarter, Verizon Wireless agreed to acquire Price Communications Wireless, a wholly owned subsidiary of Price Communications [NYSE: PR], for $1.5 billion in Verizon Wireless stock and $500 million in net debt. The transaction is conditioned upon completion of the Verizon Wireless initial public offering. The deal will significantly expand the company's footprint in the Southeastern U.S. and add some 500,000 customers.

• Verizon Wireless was the winning bidder for 113 licenses in the FCC's recently concluded auction of 1.9 GHz spectrum. The company added capacity for growth and advanced services in markets including New York, Boston, Los Angeles, Chicago, Philadelphia, Washington, D.C., Seattle and San Francisco, for a total price of approximately $8.8 billion. Verizon Wireless now has spectrum in all 50 of the top 50 Metropolitan Service Areas in the United States.

Information Services:

• Operating income from Verizon's directory publishing and electronic commerce operations for the year rose 2 percent to $2 billion. Strong cost control and merger-related synergies limited expense increases to less than 1 percent over 1999. Revenues totaled $4.1 billion for the year, a 1.4 percent increase over 1999, with revenues from SuperPages.com, Verizon's Internet directory service, growing 75 percent.

International:

• Revenues from consolidated international operations grew 19.2 percent over fourth quarter 1999 to $540 million, with proportionate international revenues exceeding $1.5 billion. For the year, consolidated revenues of $2 billion grew 15.3 percent over 1999, with proportionate revenues reaching $6.1 billion.

• International revenue growth was driven primarily by continued worldwide demand for wireless services. The number of proportionate international wireless customers served by Verizon investments increased 2.6 million to more than 8.1 million, a 46.6 percent increase over fourth quarter 1999. A number of Verizon's wireless investments reached major customer milestones, as Taiwan Cellular exceeded 5 million subscribers and EuroTel Praha reached 2 million, and Omnitel Pronto Italia in Italy closed in on the 15-million mark.

Reported Results

Reported net income for fourth quarter 2000 of $1.9 billion, or 70 cents per share, reflects the net after-tax effect of charges which, after offsetting adjustments, totaled $198 million, or 7 cents per share. These include a net gain on the sale of wireless properties for regulatory reasons which partially offset charges for transition costs related to the Bell Atlantic-GTE merger and other special items, including Verizon's share of certain restructuring charges at two international equity investments, and the write-off of its investment in NorthPoint Communications Corp. as a result of the deterioration in NorthPoint's business, operations and financial condition.

Reported fourth-quarter 1999 net income of $1.7 billion, or 63 cents per share, reflects net after-tax effects of charges which, after offsetting adjustments, totaled $342 million, or 12 cents per share. These include Bell Atlantic-NYNEX merger charges, net losses of Genuity (which was separated from Verizon in 2000 through an initial public offering), and a mark-to-market accounting adjustment related to notes issued by Bell Atlantic in 1999 that are exchangeable into shares of NTL Inc. and Cable & Wireless plc. This adjustment is a non-cash gain or loss, subject to limitations, depending on the share prices of NTL and Cable & Wireless. These charges were partially offset by gains including gains from asset sales.

Reported net income for 2000 of $11.8 billion, or $4.31 per share, reflects the net after-tax effect of gains, charges and other adjustments totaling approximately $3.8 billion, or $1.40 per share. The gains, which total approximately $6.3 billion, or $2.32 per share, include net gains on wireline and wireless asset sales, mark-to-market accounting adjustments related to the exchangeable notes, non-cash gains resulting from the acquisition of the assets of Cable & Wireless Communications by NTL Inc. and Cable & Wireless plc; and conforming accounting adjustments. Offsetting charges, which total approximately $2.5 billion after taxes, or 92 cents per share, include charges for merger and transition costs related to the Bell Atlantic-NYNEX and Bell Atlantic-GTE mergers, Genuity net losses and other items.

Reported net income for 1999 of $8.3 billion, or $2.97 per share, reflect the net after-tax effect of gains, charges and other adjustments totaling $365 million, or 13 cents per share, for special items including gains from asset sales, mark-to-market accounting adjustments, Genuity net losses, merger transition charges and other adjustments.

NOTE: This press release contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: materially adverse changes in economic conditions in the markets served by us or by companies in which we have substantial investments; material changes in available technology; the final outcome of federal, state, and local regulatory initiatives and proceedings, including arbitration proceedings, and judicial review of those initiatives and proceedings, pertaining to, among other matters, the terms of interconnection, access charges, universal service, and unbundled network element and resale rates; the extent, timing, success, and overall effects of competition from others in the local telephone and intraLATA toll service markets; the timing and profitability of our entry into the in-region long-distance market; our ability to combine former Bell Atlantic and GTE operations, satisfy regulatory conditions and obtain revenue enhancements and cost savings; the profitability of our entry into the nationwide broadband access market; the ability of Verizon Wireless to combine operations and obtain revenue enhancements and cost savings; our ability to convert our ownership interest in Genuity Inc. into a controlling interest consistent with regulatory conditions, and Genuity's ensuing profitability; and changes in our accounting assumptions that may be required by regulatory agencies, including the SEC, or that result from changes in the accounting rules or their application, which could result in an impact on earnings.

Verizon Communications Reports Solid 3Q Earnings And Provides Outlook for Remainder of 2001

Oct 30, 2001

Company Posts Continued Quality Growth in Wireless Sector, DSL; Increased 2001 Long-Distance Sales Goal Reached in Nine Months

THIRD-QUARTER HIGHLIGHTS

- 752,000 new wireless customers, for 28.7 million total, with continued reduced customer churn, high percentage of contract sales and 20 million digital customers

- 6.9 million long-distance customers nationwide, reaching previously announced, increased year-end targets

- Long-distance approval in Pennsylvania, a $3 billion annual revenue opportunity

- 135,000 net new DSL (digital subscriber line) customers for a third-quarter total of 975,000 and a current total of more than 1 million

- 52 percent growth in data circuits as measured in access line equivalents (ALEs); total ALEs in service grew more than 20 percent to 128.5 million

- Continued industry-leading cost control, with second consecutive quarter of cash expense reductions in the Domestic Telecom segment

- 18.1 percent data transport revenue growth over third quarter 2000

- 2.0 million increase, to 9.1 million total, in proportionate international wireless customers, a 28.6 percent increase over third quarter 2000

Verizon Communications today reported adjusted third-quarter net income of $2.04 billion, or adjusted diluted earnings per share (EPS) of 75 cents, which includes a 3-cent-per-share impact related to the Sept. 11 terrorist attacks in New York City and at the Pentagon. This represents a 2.8 percent increase from $1.98 billion, or 73 cents per share, in the third quarter 2000.

Adjusted net income for the first nine months of 2001 was $6.1 billion, or $2.23 per share, compared to nine-month 2000 adjusted net income of $5.9 billion, or $2.13 per share.

"Verizon has come through a difficult experience in a strong financial and operational position," said Verizon Chairman and Co-CEO Charles R. Lee. "Verizon's depth of management talent and technical skill enabled us to respond with incredible speed to restore service and respond to this national crisis. At the same time, the breadth and scale of our company allowed us to continue to grow revenues in key areas of our business during the quarter, while we once again demonstrated industry-leading cost control."

Lee added, "Our view for the remainder of this year is shaped by the economic outlook, and we continue to take the appropriate steps to manage through the declining economy and to position ourselves for the recovery. We have adjusted our capital investment spending in 2001 to reflect this, while maintaining our investments in service quality and growth initiatives. Planning for the possibility of a prolonged economic weakness, we took steps earlier to reduce our cost structure in a way that has become ingrained in our business. This has given us the ability to continue to pursue growth opportunities and move forward with our long-distance applications and regulatory reform initiatives."

Verizon President and Co-CEO Ivan Seidenberg said, "Our focus on execution is solidifying Verizon's leadership position in a dynamic industry. In long distance, we had another successful quarter. We have already met previously increased year-end sales targets, and customers in Pennsylvania are responding enthusiastically to last week's long-distance launch in that state. In DSL, we have continued to focus on improving operations. In the past quarter, we have cut the average installation interval in half, and we recently unveiled an aggressive sales promotion. In wireless, we had a very strong, profitable quarter as we continued to keep our eye on the fundamentals of the business and quality customer growth."

"Looking ahead, these extraordinary times have lent new clarity to critical issues facing our industry, and we will work closely with federal and state regulators to create meaningful and necessary industry change." Referring to the policy goals recently outlined by Federal Communications Commission Chairman Michael Powell, Seidenberg said, "We are encouraged that Chairman Powell's agenda recognizes the key industry issues, including the need for a better wireless spectrum allocation process and a broadband policy that removes the barriers to deployment and supports even more investment in high-speed technology."

CONSOLIDATED RESULTS

Consolidated adjusted revenues for the quarter grew 3.7 percent, to $17.0 billion from $16.4 billion in third quarter 2000. Nine-month consolidated revenues were $50.2 billion, up 7.7 percent from $46.6 billion in the first nine months of 2000. Revenues for the earlier period do not include first-quarter revenues from the Vodafone properties that were contributed to Verizon Wireless in April 2000; including those revenues, the nine-month increase would have been 5.2 percent.

Consolidated adjusted expenses increased 3.7 percent and cash expenses increased by 2.9 percent over third quarter 2000. Excluding the effects of the Sept. 11 attacks, merger-related expense savings and cost-control measures enabled the company to hold increases in cash expenses to 1.5 percent while continuing to invest in high-growth capabilities and services.

For the second consecutive quarter, Verizon's largest business unit, Domestic Telecom, decreased its cash expenses over the prior-year period; through the first nine months of 2001, cash expenses decreased 1.7 percent, to $17.9 billion from $18.2 billion in the first nine months of 2000. Third quarter 2001 cash expenses decreased 0.8 percent to $6.1 billion, including expenses to restore services in the World Trade Center area and at the Pentagon, and decreased 3.1 percent excluding this impact.

HIGHLIGHTS OF OPERATIONS

LONG DISTANCE:

- Verizon Long Distance, the nation's fourth largest long-distance provider, added approximately 850,000 customers in the quarter and ended the quarter with 6.9 million customers nationwide. The third-quarter increase includes approximately 160,000 retail customers in Hawaii not previously counted as part of the base. Excluding Hawaii, this is a more than 50 percent increase over third quarter 2000.

- With 2,132,000 customers in New York and 475,000 customers in Massachusetts, more than 38 percent of long-distance customers come from Verizon's newest long-distance markets. Verizon now has 31.7 percent in-franchise market share in New York and 17.9 percent in-franchise market share in Massachusetts.

- On Oct. 23, Verizon announced that it had begun marketing long-distance services in Pennsylvania, where Verizon serves about 7 million access lines and the long-distance market is an estimated $3 billion annual revenue opportunity.

- Verizon is now offering long-distance service to approximately 54.5 percent of the former Bell Atlantic's access lines and more than two-thirds of all Verizon access lines nationwide. Verizon is now able to offer long distance in Massachusetts, Connecticut, New York and Pennsylvania, as well as 36 other states formerly served by GTE Long Distance.

- On Oct. 18, Verizon notified state regulators in Maine that it plans to file a long-distance application with the FCC by year's end. The company is also working closely with state regulators in New Hampshire, Vermont, Rhode Island and New Jersey, where similar notices were filed earlier this year.

DSL:

- Verizon added 135,000 DSL lines in the third quarter and ended the period with approximately 975,000 lines in service -- a 625,000-line year-over-year increase. Average installation intervals have been cut in half, resulting in improved customer satisfaction.

- On Oct. 17, Verizon announced it had surpassed a total of 1 million DSL customers, representing 85 percent year-to-date growth, and the company is targeting 1.2 to 1.3 million DSL subscribers by year-end.

- Approximately 32.8 million of Verizon's 62.0 million access lines nationwide are DSL-qualified. Verizon recently extended the reach of its DSL service to an additional 3.5 million lines, as the company continues to add capacity in its central offices to meet continued strong demand. Approximately 2,050 central offices are equipped to provide DSL.

- Also on Oct. 17, Verizon Online, the company's Internet service provider, unveiled a fourth-quarter sales promotion for DSL service, including a three-month introductory rate of $29.95 per month. The promotion also includes a free modem, installation kit and digital camera.

- Verizon Online, which is the Internet service provider (ISP) to more than 1 million subscribers, reported a nearly 37 percent increase over third quarter 2000 customer totals.

DATA AND TELECOM:

- Data Services revenues grew to nearly $1.8 billion, driven by 18.1 percent growth in data transport services over third quarter 2000.

- The 52 percent third-quarter growth in data circuits as measured in ALEs marked Verizon's fourth consecutive quarter of more than 50 percent growth. Data circuits now account for more than half of Verizon's 128.5 million ALEs.

- On Oct. 23, Verizon and Microsoft announced that they were exploring ways to extend the reach of Verizon services through the use of select Microsoftâ.NET and WindowsâXP services.

This would provide customers with remote access to features of Verizon's call services, such as Caller ID and voice mail, any time, anywhere and from virtually any device.

- Sales of packages of domestic wireline telecommunications services -- combining Caller ID, voice mail and other features -- increased 53 percent in the third quarter 2001 compared to the third quarter 2000.

VERIZON WIRELESS:

- Verizon Wireless added 752,000 net new customers during the third quarter 2001, with the total number of customers growing 12.2 percent over the prior year to 28.7 million. Penetration of covered POPs, which have been adjusted to reflect updated census and network coverage data, increased to 13.0 percent.

- Nearly 94 percent of Verizon Wireless' total base is made up of contract customers. Retail contract gross additions increased 7 percent year-over-year. Retail net additions of contract customers increased 36 percent over the prior year.

- Total churn decreased to 2.2 percent, down year-over-year and sequentially.

- With the largest digital base in the U.S., Verizon Wireless ended the quarter with 20 million digital customers, 69 percent of total subscribers. These customers generate more than 90 percent of the company's busy-hour usage.

- Average usage per subscriber increased 36 percent to 274 minutes a month, with digital usage of approximately 370 minutes a month.

- Service revenues for the quarter grew 13.2 percent to $4.2 billion, with service revenue per subscriber increasing 1 percent to more than $49, the fifth consecutive quarter of a year-over-year increase in service revenue per subscriber. Total revenues were $4.5 billion, up 12.0 percent. Quarterly operating income rose 19.9 percent to $688 million, with operating cash flow increasing 12.3 percent to $1.6 billion.

- Industry-leading operating cash flow margin remained strong at 39 percent for the quarter.

- Verizon Wireless ended the quarter with 1.2 million subscribers to its Mobile Web and Mobile IP data services.

- This month the company introduced its 1XRTT high-speed Express Network for select enterprise customers and developers in the Philadelphia area. From laptops and PDAs, these subscribers are using the network's advanced high-speed data rates to access corporate intranets and the Internet. The company expects to consistently deliver 40-60 Kbs (kilobits per second) speeds, significantly higher than with alternative wireless technologies, when it rolls out Express Network to key markets around the country, including New York, in the fourth quarter.

INTERNATIONAL:

- Revenues from consolidated international operations grew 17.5 percent over third quarter 2000 to $597 million. Operating income increased $96 million to $125 million, while operating cash flow increased 78 percent to $210 million compared to third quarter 2000.

- Total proportionate revenues increased $76 million over third quarter 2000 to $1.5 billion. Proportionate operating income of $350 million and proportionate operating cash flow of $618 million increased 15.9 percent and 17.9 percent, respectively, compared to third quarter 2000.

- The number of proportionate international wireless customers served by Verizon investments increased by 2.0 million to 9.1 million, a 28.6 percent increase over third quarter 2000. Verizon's international wireless investments reported strong customer gains, including Omnitel, now with 16.7 million subscribers; EuroTel Praha with 2.9 million; and Stet Hellas with 2.0 million.

- Verizon's new global network is progressing on plan. During the third quarter, Verizon Global Solutions Inc. added additional locations -- including London, Paris, Amsterdam, Brussels, Frankfurt and Dusseldorf -- to its network, which now links the U.S. and major commercial and financial centers around the world. Also during the quarter, Verizon rolled out high-speed global private-line service.

INFORMATION SERVICES:

- Revenues from Verizon's directory publishing and electronic commerce operations were $1.1 billion in the third quarter, an increase of 14.6 percent from third quarter 2000 due to operational growth and shifts in directory publication dates.

- Revenues from SuperPages.com, Verizon's Internet directory service, grew 63.6 percent over third quarter 2000, as Information Services carried out its strategy to bundle print and online services.

REPORTED RESULTS

For the third quarter of 2001, Verizon reported consolidated net income of $1.9 billion, or 69 cents a diluted share, compared to $3.5 billion, or $1.27 per share, during the third quarter 2000. Current-quarter net income includes transition costs and mark-to-market adjustments for financial instruments totaling $165 million, or 6 cents a share. Third quarter 2000 included net income reported on sales of assets of approximately $1.3 billion, or 47 cents a share. Assets sold included certain non-strategic wireline properties, which were reported in operating income, and overlapping wireless properties that were sold for regulatory reasons and which were reported as an extraordinary item. In third quarter 2000, the company also recorded a gain of $245 million, or 9 cents a share, for a mark-to-market adjustment for notes issued in 1998 that are exchangeable into shares of Cable & Wireless plc and NTL Inc., and transition costs of $65 million, or 2 cents a share.

Reported net income for the first nine months of 2001 was $2.4 billion, or 89 cents a share, compared to $9.9 billion, or $3.60 a share, in the first nine months of 2000.

Reported operating revenues rose 2.8 percent in the third quarter 2001, to $17.0 billion, compared to the third quarter 2000. For the first nine months of 2001, Verizon's revenues rose 4.9 percent, to $50.2 billion, compared to the first nine months of 2000.

2001 OUTLOOK

Verizon anticipates a continued financial impact related to the Sept. 11 terrorist attacks and to the ongoing economic downturn in the fourth quarter 2001.

In the fourth quarter, the company is targeting the following:

- Quarterly revenue growth of approximately 3 percent

- EPS -- including a fourth-quarter impact from Sept. 11 restoration efforts of approximately 3 cents -- of 77 to 80 cents

- Capital expenditures of $4.5 to $4.7 billion

The company is updating the following year-end 2001 financial targets accordingly:

- Annual revenue growth of 4 to 5 percent; previous target was 5 to 6 percent

- EPS of $3.00 to $3.03, including impacts of approximately 6 cents from the Sept. 11 attacks; excluding the impacts, EPS in the range of $3.06 to $3.09, which is in line with previous targets. Additionally, the company estimated the impact of FAS 142, a Financial Accounting Standard that will be implemented next year relating to the amortization of goodwill, to be 8 cents a share on an annual basis.

- Capital expenditures of $17.0 to $17.2 billion; previously $17.5 billion

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NOTE: This press release contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: the duration and extent of the current economic downturn; materially adverse changes in economic conditions in the markets served by us or by companies in which we have substantial investments; material changes in available technology; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations; the final outcome of federal, state, and local regulatory initiatives and proceedings, including arbitration proceedings, and judicial review of those initiatives and proceedings, pertaining to, among other matters, the terms of interconnection, access charges, and unbundled network element and resale rates; the extent, timing, success, and overall effects of competition from others in the local telephone and toll service markets; the timing and profitability of our entry and expansion in the national long-distance market; our ability to combine former Bell Atlantic and GTE operations, satisfy regulatory conditions and obtain revenue enhancements and cost savings; the profitability of our broadband operations; the ability of Verizon Wireless to achieve revenue enhancements and cost savings, and obtain sufficient spectrum resources; the continuing financial needs of Genuity Inc., our ability to convert our ownership interest in Genuity into a controlling interest consistent with regulatory conditions, and Genuity's ensuing profitability; our ability to recover insurance proceeds relating to equipment losses and other adverse financial impacts resulting from the terrorist attacks on Sept. 11, 2001; and changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings.

Attachment 3:

Declaration of Lee L. Selwyn filed October 22, 2001 in New Jersey Board of Public Utilities Docket No. TO01090541

Before the

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Application of Verizon New Jersey, Inc. for FCC Authorization to Provide In-Region, InterLATA Service in New Jersey	**Docket No. TO01090541**

Declaration

of

LEE L. SELWYN

witness for the

State of New Jersey
Division of the Ratepayer Advocate

October 22, 2001

DECLARATION OF LEE L. SELWYN

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